

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6607

BILL NUMBER: HB 1256

NOTE PREPARED: Jan 7, 2006

BILL AMENDED:

SUBJECT: Board of Animal Health Fees for Dairy Program.

FIRST AUTHOR: Rep. Gutwein

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Inspections & Licenses-* The bill allows the Board of Animal Health (the Board) to establish fees for inspections and licenses on facilities involved with milk production, reception, or transfer.

Dairy Program Fund- The bill renames the Dairy Drug Residue Abatement Fund (Abatement Fund) as the Dairy Program Fund (Program Fund), and requires that the revenue from the inspection and licensing fees be deposited into the fund.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Dairy Program Fund-* The bill would change the name of the Abatement Fund to the Dairy Program Fund. The Program Fund would still receive civil penalties assessed on drug residue violations (although their use for educational program expenditures would discontinue.) In addition, the Program Fund would receive revenue from the proposed inspection and license fees. All revenue in the Program Fund would be used for administrative and enforcement expenditures and would not revert to the state General Fund at the end of a state fiscal year.

Background Drug Abatement Fund- Under current law, the Board administers the Abatement Fund, which consists of civil penalties assessed on milk producers that have produced milk that tests positive for drug residue harmful for human or animal consumption. Abatement Fund revenue is currently used to implement educational programs for prevention of drug residue violations. Revenue does not revert to the state General Fund.

The Abatement Fund received \$6,341 in penalties by closeout of FY 2005. The Fund had a June 30, 2005, balance of \$35,022.

Explanation of State Revenues: *Inspections & Licenses*- The Board reports that the minimum number of inspections on milk facilities in a given year is about 7,390. The Board's budget for the dairy program is approximately \$1.43 M per year. Under the bill, the fee cannot exceed an amount of revenue equaling 50% of the estimated cost to administer the dairy program (about \$1.43 M * 0.5=\$0.72 M.) Dividing the maximum allowable revenue of \$0.72 M by the minimum number of inspections in a year (7,390) gives an approximate fee of \$97 per inspection. It is possible that more inspections could occur in a given year, which would affect the fee rate.

The Board reports that approximately 2,700 permits were issued in CY 2005. If the bill's maximum allowed license fee of \$100 is multiplied by the 2,700 permits, the maximum revenue would be approximately \$0.27 M per year.

The fee revenue from both inspections and licenses would be deposited into the Board's Program Fund established by the bill.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Board of Animal Health

Local Agencies Affected:

Information Sources: State Budget Agency, Auditor's Database; Gary Haynes, State Board of Animal Health, 227-0349.

Fiscal Analyst: Chris Baker, 317-232-9851